# **South Carolina Dairy Tax Credit**

South Carolina Department of Agriculture

Hugh E. Weathers, Commissioner

### **Tax Credit Available**

- Must produce at least 500,000 lbs. of milk to qualify
- \$10,000 for first 500,000 lbs.
- \$5,000 for each additional 500,000 lbs.

### Factors to be Considered

- Average price of milk in five market areas where milk is imported to SC
- Average transportation cost of importing milk from those five areas
- Cost of Production in SC

#### **Five Market Area**

- Northeast 955 miles (Boston)
- Mideast 610 miles (Cleveland)
- Upper Midwest 800 miles (Chicago)
- Central 1015 (Kansas City)
- Southwest 1027 (Dallas)

# **Transportation Cost Calculation**

- Transportation cost of \$2.00/mile was estimated using fuel cost information and indexes
- Transportation cost was converted to transportation cost/cwt using the following formula:

Transportation cost/cwt = miles  $\times 2.00/\text{mile} / 48,000 \text{ lbs.} \times 100$ 

## **Transportation Cost/Cwt for Each Area**

- Northeast \$3.98/cwt
- Mideast \$2.54/cwt
- Upper Midwest \$3.33/cwt
- Central \$4.23/cwt
- Southwest \$4.28/cwt

# **Average Price Five Market Area**

 Uniform price in each area plus the transportation cost/cwt averaged for the five market area

Example: January, 2006 Uniform Price

Northeast 14.78 + 3.98 = 18.76

Mideast 13.95 + 2.54 = 16.49

Upper Midwest 13.66 + 3.33 = 16.99

Central 13.75 + 4.23 = 17.98

Southwest 14.50 + 4.28 = 18.78

Average 17.80

		Uniform M	ilk Price, 20	004								
Marketing Area												
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Annalashian	44.05	11.10	45.0	40.70	20.40	20.54	40.04	10.10	40.50	40.00	40.70	40.00
Appalachian	14.25	14.49	15.8	16.76	20.18	20.54	18.94	16.16	16.52	16.69	16.78	16.98
Average 5 Market Area	16.4	16.77	18.63	19.78	22.57	22.45	20.25	18.55	19	18.83	19.15	19.29
Market Dalancian Factor	0.45	0.00	2.02	2.02	2.20	4.04	4.04	2.20	0.40	0.44	0.07	0.04
Market Balancing Factor	2.15	2.28	2.83	3.02	2.39	1.91	1.31	2.39	2.48	2.14	2.37	2.31
		Uniform M	ilk Price, 20	<u>105</u>								
Marketing Area												
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Appalachian	17.34	15.9	16.74	15.92	15.85	15.49	16.26	16.65	16.37	16.48	16.3	15.51
Average 5 Market Area	19.08	18.57	18.87	18.63	18.29	18.22	18.81	18.7	18.85	18.8	18.22	17.8
Market Balancing Factor	1.74	2.67	2.13	2.71	2.44	2.73	2.55	2.05	2.48	2.32	1.92	2.29
iviarket balancing Factor	1.74	2.07	2.13	2.71	2.44	2.13	2.55	2.05	2.40	2.32	1.92	2.29
		Uniform M	ilk Price, 20	006								
Marketing Area												
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Appalachian	15.52	15.01	14.13	13.01	13.05	12.84	13.33	13.51	13.63	14.58	14.68	14.62
Average 5 Market Area	17.8	17.04	16.15	15.59	15.5	15.65	15.61	15.85	16.4	16.85	17.09	17.41
	17.0			.0.50						. 5.56	50	
Market Balancing Factor	2.28	2.03	2.02	2.58	2.45	2.81	2.28	2.34	2.77	2.27	2.41	2.79

# **Production Price, 2004**

		Costs of F	Production,	2004								
State	Jan	Feb	Mar	Apr	Мау	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Georgia	10.35	12.14	11.98	12.23	12.48	12.9	13.76	14.53	16.29	15.05	13.3	11.79
Virginia	13.01	12.88	12.56	12.53	13.07	13.42	13.42	13.4	13.36	12.91	12.27	12.05
Average Costs	11.68	12.51	12.27	12.38	12.78	13.16	13.59	13.97	14.83	13.98	12.79	11.92
		Productio	n Price 200	Od (Average	e Costs + Ma	arket Balan	cing Factor)					
		1 TOGGCCIO	1111100, 20	(Average	00313 1 1016	arket balari	l actor)					
Average Costs	11.68	12.51	12.27	12.38	12.78	13.16	13.59	13.97	14.83	13.98	12.79	11.92
Market Balancing Factor	2.15	2.28	2.83	3.02	2.39	1.91	1.31	2.39	2.48	2.14	2.37	2.31
Production Price	13.83	14.79	15.1	15.4	15.17	15.07	14.9	16.36	17.31	16.12	15.16	14.23
Production Price for the Ye	ar - \$15 29/cwt											

			Costs of P	roduction	2005								
State		Jan	Feb	Mar	Apr	Мау	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Georgia		11.67	10.7	11.56	11.72	12.14	12.99	14.87	15.66	17.02	17.16	15.24	14.2
Virginia		12.99	12.72	13.64	13.4	13.52	14.24	15.16	15.46	15.3	15.41	14.53	14.46
Average	Costs	12.33	11.71	12.6	12.56	12.83	13.62	15.02	15.56	16.16	16.29	14.89	14.33
			Productio	n Price, 20	005_(Avera	ge Costs +	Market Bal	ancing Fac	tor)				
Average C	Costs	12.33	11.71	12.6	12.56	12.83	13.62	15.02	15.56	16.16	16.29	14.89	14.33
Market Ba	alancing Factor	1.74	2.67	2.13	2.71	2.44	2.73	2.55	2.05	2.48	2.32	1.92	2.29
Production	n Price	14.07	14.38	14.73	15.27	15.27	16.35	17.57	17.61	18.64	18.61	16.81	16.62
Production	on Price, Year-to-I	)2to - \$16 23/o											

			Costs of P	roduction,	2006								
State		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Georgia		14.39	13.56	13.22	13.39	14.44	14.95	16.29	18.51	18.65	17.87	17.8	17.68
Virginia		14.71	14.22	14.45	14.3	14.73	15.49	16.39	17.01	16.71	16.35	16.94	16.86
Average (	Costs	14.55	13.89	13.84	13.85	14.59	15.22	16.34	17.76	17.68	17.11	17.37	17.27
			Productio	n Price, 20	006 (Averag	e Costs + I	Market Bala	ancing Fact	or)				
Average Co	osts	14.55	13.89	13.84	13.85	14.59	15.22	16.34	17.76	17.68	17.11	17.37	17.27
Market Ba	lancing Factor	2.28	2.03	2.02	2.58	2.45	2.81	2.28	2.34	2.77	2.27	2.41	2.79
Production	Price	16.83	15.92	15.86	16.43	17.04	18.03	18.62	20.1	20.45	19.38	19.78	20.06
Productio	n Price for the Ye	ar - \$18 21/cu	u+										

		(Due diver's					r Year, 200		1000)				
		(Production	price for 2	2005 is the th	ree year ro	iling averag	ge beginning	with year 2	(002) I				
2004				\$15.29/cwt									
2005				\$16.33/cwt									
2006				\$18.21/cwt									
007 Anno	ounced Pro	duction Pri	се	\$16.61/cwt									
													-
				Qualifying	Quarters I	Based on A	Appalachian	Uniform F	Price, 2007				
	Quarter 1				Quarter 2				Quarter 3			Quarter 4	
lan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep	Oct	Nov	Dec
*15.60	* 15.57	*16.46		17.41	18.82	20.7		23.28					
Indicates	price low	er than prod	duction pr	ice									
Juarter 1	is a qualify	ing quarter	for 2007									_	

### **Certified Credit Calculation**

[(Lbs. of milk – 500,000) / 500,000 x \$5000 + \$10,000] x
 quarters (as a % of year) = amount of credit

Example: 2,200,000 lbs. of production for the year 2005 Drop to next lower 500,000 lb. unit  $2,000,000 - 500,000 = 1,500,000 / 500,000 = 3 \times $5000 = $15,000 + $10,000 = $25,000 x .75 = $18,750$  credit

2,943,196	2,500,000 REFUND	\$30,000.00	
1,785,090	1,500,000	\$20,000.00	
	, ,	\$50,000.00	
4,741,538	4,500,000 4,500,000	\$50,000.00	
4,899,900	4,500,000	\$50,000.00	
4,948,878	3,500,000	\$40,000.00	
3,879,039	* *		
612,079	500,000	\$10,000.00	
5,246,025	5,000,000	\$55,000.00	
2,705,689	2,500,000	\$30,000.00	
1,523,820	1,500,000	\$20,000.00	
902,059	500,000	\$10,000.00	
1,942,613	1,500,000	\$20,000.00	
1,774,611	1,500,000	\$20,000.00	
1,306,172	1,000,000	\$15,000.00	
4,588,506	4,500,000	\$50,000.00	
4,884,625	4,500,000	\$50,000.00	
5,585,177	5,500,000	\$60,000.00	
2,021,465	2,000,000	\$25,000.00	
4,428,668	4,000,000	\$45,000.00	
2,704,719	2,500,000	\$30,000.00	
8,033,203	8,000,000	\$85,000.00	
3,558,930	3,500,000	\$40,000.00	
1,834,018	1,500,000	\$20,000.00	
1,572,069	1,500,000	\$20,000.00	
2,916,614	2,500,000	\$30,000.00	
518,915	500,000	\$10,000.00	
1,540,900	1,500,000	\$20,000.00	
3,390,386	3,000,000	\$35,000.00	
4,082,616	4,000,000	\$45,000.00	
2,549,409	2,500,000	\$30,000.00	
3,381,241	3,000,000	\$35,000.00	
4,370,553	4,000,000	\$45,000.00	
4,775,638	4,500,000	\$50,000.00	
4,387,345	4,000,000	\$45,000.00	
5,744,947	5,500,000	\$60,000.00	
5,894,342	5,500,000	\$60,000.00	

	Total	\$2,800,000.00	
3,106,621	3,000,000	\$35,000.00	
1,212,645	1,000,000	\$15,000.00	
1,197,394	1,000,000	\$15,000.00	
8,599,898	8,500,000	\$90,000.00	
655,733	500,000	\$10,000.00	
599,384	500,000	\$10,000.00	
1,650,640	1,500,000	\$20,000.00	
612,594		\$10,000.00	
4,076,440		\$45,000.00	
3,467,587		\$35,000.00	
598,871	500,000	\$10,000.00	
14,910,098		\$150,000.00	
2,847,474		\$30,000.00	
720,703		\$10,000.00	
7,786,492		\$80,000.00	
11,805,843		\$120,000.00	
2,491,022		\$25,000.00	
3,923,519		\$40,000.00	
6,066,442		\$65,000.00	
2,763,780		\$30,000.00	
6,903,313		\$70,000.00	
1,538,000		\$20,000.00	
1,668,907		\$20,000.00	
3,110,812		\$35,000.00	
1,386,634		\$15,000.00	
1,564,795		\$20,000.00	
2,322,193		\$25,000.00	
3,023,662		\$35,000.00	
7,052,374		\$75,000.00	
16,099,094		\$165,000.00	
1,116,331	1,000,000	\$15,000.00	
2,544,050		\$30,000.00	
6,017,548	6,000,000	\$65,000.00	
2,114,997		\$25,000.00	
557,024	500,000	\$10,000.00	
1,546,866	1,500,000	\$20,000.00	

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